

City of Coloma, Michigan Berrien County

**Financial Report
with Additional Information**

March 31, 2004

City of Coloma, Michigan

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Independent Auditor's Report

To the City Commission
City of Coloma, Michigan

We have audited the accompanying general purpose financial statements of the City of Coloma, Michigan as of March 31, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Coloma, Michigan, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Coloma, Michigan as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 10, 2004

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City of Coloma, Michigan

		Governmental Fund Types		Proprietary Fund Type
		General	Special Revenue	Enterprise
Assets				
Cash (Note 2)		\$ -	\$ 304,780	\$ 41,379
Receivables:				
Taxes		53,577	-	-
Utility accounts		-	-	45,351
Unbilled utility revenues		-	-	20,994
Special assessment receivable		-	-	-
Due from other governmental units		-	-	21,875
Due from other funds (Note 3)		39,028	40,508	33,050
Due from primary government		-	-	-
Inventory		-	-	8,839
Prepaid expenses		-	-	1,658
Other assets		8,953	-	-
Capital assets (Note 4)		-	-	1,199,899
Advances to other funds (Note 3)		-	42,039	-
Amount to be provided for retirement of general long-term debt		-	-	-
Total assets		\$ 101,558	\$ 387,327	\$ 1,373,045
Liabilities and Fund Equity				
Liabilities				
Accounts payable		\$ 2,414	\$ -	\$ 7,717
Accrued expenses and other liabilities		63,817	265	916
Due to other governmental units		-	-	-
Due to other funds (Note 3)		36,797	37,797	37,992
Due to component unit		26,538	-	14,750
Deferred revenue		10,562	-	-
Advances from other funds (Note 3)		42,039	-	-
Long-term debt (Note 5)		-	-	70,173
Total liabilities		182,167	38,062	131,548
Fund Equity				
Contributed capital (Note 7)		-	-	687,572
Investment in general fixed assets		-	-	-
Retained earnings		-	-	553,925
Fund balances (deficits):				
Reserved for long-term receivable		-	42,039	-
Designated for projects funded by private contributions		-	245,443	-
Unreserved and undesignated		(80,609)	61,783	-
Total fund equity		(80,609)	349,265	1,241,497
Total liabilities and fund equity		\$ 101,558	\$ 387,327	\$ 1,373,045

See Notes to Financial Statements.

**Combined Balance Sheet – All Fund Types, Account Groups and
Component Unit
March 31, 2004**

Account Groups		Total Primary Government (Memorandum Only)		Component Unit
		March 31		
General Fixed Assets	General Long-Term Debt	2004	2003	Downtown Development Authority
\$ -	\$ -	\$ 346,159	\$ 622,116	\$ 389,639
-	-	53,577	52,912	-
-	-	45,351	38,887	-
-	-	20,994	20,876	-
-	-	-	-	15,492
-	-	21,875	-	-
-	-	112,586	139,508	-
-	-	-	-	41,288
-	-	8,839	8,839	-
-	-	1,658	1,658	-
-	-	8,953	-	-
1,177,882	-	2,377,781	2,353,391	52,916
-	-	42,039	-	-
-	77,842	77,842	119,540	437,298
\$ 1,177,882	\$ 77,842	\$ 3,117,654	\$ 3,357,727	\$ 936,633
\$ -	\$ -	\$ 10,131	\$ 27,968	\$ -
-	-	64,998	7,707	-
-	-	-	115,744	163,931
-	-	112,586	139,508	-
-	-	41,288	40,253	-
-	-	10,562	11,597	15,492
-	-	42,039	-	-
-	77,842	148,015	119,540	437,298
-	77,842	429,619	462,317	616,721
-	-	687,572	720,384	-
1,177,882	-	1,177,882	1,180,543	52,916
-	-	553,925	542,596	-
-	-	42,039	-	-
-	-	245,443	425,479	-
-	-	(18,826)	26,408	266,996
1,177,882	-	2,688,035	2,895,410	319,912
\$ 1,177,882	\$ 77,842	\$ 3,117,654	\$ 3,357,727	\$ 936,633

City of Coloma, Michigan

Combined Statement of Revenue, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Component Unit Year Ended March 31, 2004

	Governmental Fund Types		Total Primary Government (Memorandum Only)		Component Unit
			March 31		
	General	Special Revenue	2004	2003	Downtown Development Authority
Revenue					
Taxes	\$ 425,761	\$ -	\$ 425,761	\$ 422,542	\$ 180,630
Licenses and permits	26,926	-	26,926	6,227	-
State sources	197,699	122,103	319,802	329,315	-
Local sources	-	-	-	-	-
Fines and forfeitures	3,701	-	3,701	5,550	-
Interest and rents	78,596	1,485	80,081	93,219	-
Donations from private sources	-	65,867	65,867	442,354	-
Other revenue	16,025	2,107	18,132	105,151	3,495
Total revenue	748,708	191,562	940,270	1,404,358	184,125
Expenditures					
General government	190,883	-	190,883	171,803	-
Public safety	335,981	-	335,981	371,218	-
Public works	207,082	-	207,082	255,580	20,115
Recreation and cultural	21,193	75,000	96,193	27,337	-
Other	51,239	153,288	204,527	51,118	77,885
Highways and streets	-	88,835	88,835	151,197	-
Total expenditures	806,378	317,123	1,123,501	1,028,253	98,000
Excess (Deficiency) of Revenue Over Expenditures	(57,670)	(125,561)	(183,231)	376,105	86,125
Other Financing Sources (Uses)					
Operating transfers in	-	448,418	448,418	40,000	-
Operating transfers out	(448,418)	-	(448,418)	(40,000)	-
Total other financing sources (uses)	(448,418)	448,418	-	-	-
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	(506,088)	322,857	(183,231)	376,105	86,125
Fund Balances - Beginning of year	425,479	26,408	451,887	75,782	180,871
Fund Balances (Deficit) - End of year	\$ (80,609)	\$ 349,265	\$ 268,656	\$ 451,887	\$ 266,996

City of Coloma, Michigan

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenue			
Taxes	\$ 390,000	\$ 425,761	\$ 35,761
Licenses and permits	7,000	26,926	19,926
State sources	235,000	197,699	(37,301)
Fines and forfeitures	5,000	3,701	(1,299)
Interest and rents	87,000	78,596	(8,404)
Donations from private sources	-	-	-
Other revenue	45,000	16,025	(28,975)
Total revenue	769,000	748,708	(20,292)
Expenditures			
General government	162,585	190,883	(28,298)
Public safety	275,120	335,981	(60,861)
Public works	367,650	207,082	160,568
Recreation and cultural	21,792	21,193	599
Other	57,000	51,239	5,761
Highways and streets	-	-	-
Total expenditures	884,147	806,378	77,769
Excess (Deficiency) of Revenue Over Expenditures	(115,147)	(57,670)	57,477
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	-	(448,418)	(448,418)
Total other financing sources (uses)	-	(448,418)	(448,418)
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	(115,147)	(506,088)	(390,941)
Fund Balances - Beginning of year	425,479	425,479	-
Fund Balances (Deficit) - End of year	<u>\$ 310,332</u>	<u>\$ (80,609)</u>	<u>\$ (390,941)</u>

See Notes to Financial Statements.

**Combined Statement of Revenue, Expenditures and
Changes in Fund Balances – Budget and Actual
General and Special Revenue Fund Types
Year Ended March 31, 2004**

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
121,000	122,103	1,103
-	-	-
-	1,485	1,485
-	65,867	65,867
-	2,107	2,107
121,000	191,562	70,562
-	-	-
-	-	-
-	-	-
-	75,000	(75,000)
-	153,288	(153,288)
95,440	88,835	6,605
95,440	317,123	(221,683)
25,560	(125,561)	(151,121)
-	448,418	448,418
-	-	-
-	448,418	448,418
25,560	322,857	297,297
26,408	26,408	-
\$ 51,968	\$ 349,265	\$ 297,297

City of Coloma, Michigan

Statement of Revenue and Expenses and Changes in Retained Earnings Proprietary Fund Type - Water & Sewer Fund

	Year Ended March 31	
	2004	2003
		(Memorandum)
Operating Revenue		
Charges for services:		
Water	\$ 113,290	\$ 115,172
Sewer	149,944	158,597
Other revenue	27,061	7,184
Total operating revenue	290,295	280,953
Operating Expenses		
Water	123,358	99,817
Sewer	136,985	138,893
Depreciation:		
Water	20,042	19,163
Sewer	30,063	28,744
Total operating expenses	310,448	286,617
Operating Loss	(20,153)	(5,664)
Nonoperating Expense		
Interest expense	1,330	-
Net Loss	(21,483)	(5,664)
Add Depreciation on Assets Acquired From Contributions	32,812	32,812
Increase in Retained Earnings	11,329	27,148
Retained Earnings - Beginning of year	542,596	515,448
Retained Earnings - End of year	<u>\$ 553,925</u>	<u>\$ 542,596</u>

City of Coloma, Michigan

Statement of Cash Flows Proprietary Fund Type - Water & Sewer Fund

	Year Ended March 31	
	2004	2003
	(Memorandum Only)	
Cash Flows from Operating Activities		
Operating loss	\$ (20,153)	\$ (5,664)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	50,105	47,907
Changes in assets and liabilities:		
Receivables	(6,582)	(2,748)
Due from other governmental units	(21,875)	-
Accounts payable	(26)	(2,500)
Net cash provided by operating activities	1,469	36,995
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of long-term debt	77,155	-
Principal and interest paid on long-term debt	(8,312)	-
Purchase of capital assets	(77,156)	(7,444)
Net cash used in financing activities	(8,313)	(7,444)
Net Increase (Decrease) in Cash	(6,844)	29,551
Cash - Beginning of year	48,223	18,672
Cash - End of year	\$ 41,379	\$ 48,223

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The City is governed by an elected eight-member Commission. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Coloma and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

The following component units are reported within the component unit column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the City Commission. In addition, the Authority's budget is subject to approval by the City Commission.

On July 26, 1999, the City created a Brownfield Redevelopment Authority to revitalize selected environmentally distressed areas within the City limits. This Authority had no assets as of March 31, 2004 and no activity for the period then ended.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue and other sources.

Note 1 – Summary of Significant Accounting Policies (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for the results of operations that provide a service to citizens that are financed primarily by a user charge for the provision of that service.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting

The accrual basis of accounting is used by the proprietary funds. All governmental funds and agency funds utilize the modified-accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. The taxes are due with the final collection date as of February 29, 2004 before they are added to the county tax roll.

- b. Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year-end.
- c. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Note 1 – Summary of Significant Accounting Policies (Continued)

- e. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the general long-term debt group of accounts.

Fixed Assets and Long-Term Liabilities - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost, or if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the Proprietary Funds are accounted for in those funds. Depreciation on such fixed assets is charged as an expense against the operations of the Proprietary funds on a straight-line basis. Depreciation totaling \$50,105 has been included in the operating expenses of the Water & Sewer Fund.

Inventories - Inventories in the proprietary funds are valued at cost, on a first-in, first-out basis, which approximates market value.

Use of Estimates – The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Memorandum Only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to financial statements.

City of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 2 – Deposits

The City's cash is classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Bank deposits (checking accounts, savings accounts and money market accounts)	\$ 345,969
Petty cash or cash on hand	<u>190</u>
Total	<u>\$ 346,159</u>

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$511,832. Of that amount, \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution it deposits City funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Component Unit - The cash of the City's component unit consists of bank deposits of \$389,639. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$389,639. The entire amount was uninsured and uncollateralized.

Note 3 – Interfund Receivables/Advances to Other Funds

The following are the interfund receivables at March 31, 2004:

General Fund	
Special Revenue Funds	\$ 1,036
Enterprise Funds	<u>37,992</u>
Total General Fund	39,028
Special Revenue Funds	
General Fund	36,797
Special Revenue Funds	<u>3,711</u>
Total Special Revenue Funds	40,508
Enterprise Fund	
Special Revenue Funds	<u>33,050</u>
Total interfund receivables	<u>\$ 112,586</u>

At March 31, 2004, advances to other funds consisted of an advance from the Leonard Fund to the General Fund in the amount of \$42,039 for a road construction project. The General Fund will reimburse the Leonard Fund over 5 years at an interest rate of 3 percent.

City of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 4 – Capital Assets

A summary of changes in general fixed assets follows:

	Balance April 1, 2003	Additions	Retirements	Balance March 31, 2004
Land	\$ 44,900	\$ -	\$ -	\$ 44,900
Land Improvements	21,313	27,570	-	48,883
Buildings	264,693	-	-	264,693
Equipment	412,779	15,351	8,000	420,130
Vehicles	412,101	-	34,202	377,899
Investment in Coloma Joint Fire Board	8,909	-	3,380	5,529
Investment in Coloma Cemetery Board	<u>15,848</u>	<u>-</u>	<u>-</u>	<u>15,848</u>
Total	<u>\$1,180,543</u>	<u>\$ 42,921</u>	<u>\$ 45,582</u>	<u>\$ 1,177,882</u>

The summary of proprietary fund fixed assets at March 31, 2004 follows:

	Enterprise Funds	Depreciable Life-Years
Site and easements	\$ 19,888	-
Buildings and improvements	990,477	30
Utility system	1,212,547	6-40
Equipment	<u>126,874</u>	3-5
Total	2,349,786	
Less accumulated depreciation	<u>(1,149,887)</u>	
Net	<u>\$ 1,199,899</u>	

Note 4 – Capital Assets (Continued)

In addition, the component unit's fixed assets are composed of:

Land	\$	33,333
Vehicles		<u>19,583</u>
Total	\$	<u>52,916</u>

Note 5 – Long-Term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of March 31, 2004:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
General Long-Term Debt				
Account Group:				
Installment purchase contract	1	4.39%	2007	\$ 38,390
Accumulated employee benefits				<u>39,452</u>
Total general long-term debt				77,842
Enterprise Fund				
Note payable on plow truck	1	3.39%	2008	<u>70,173</u>
Total outstanding debt				<u>\$ 148,015</u>

The accumulated employee benefits represent the estimated liability to be paid governmental fund type employees under the City's sick and vacation pay policy, net of the portion that is estimated will be paid currently (which has been recorded as a liability in the applicable governmental fund). Under the City's policy, employees earn sick and vacation time based on time of service with the City.

Note 5 – Long-Term Debt (Continued)

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended March 31, 2004:

	General Long-Term Obligations
Balance - April 1, 2003	\$ 119,540
Debt issued	77,155
Debt retired	(18,192)
Decrease in accumulated employee benefits	(30,488)
Balance - March 31, 2004	\$ 148,015

Debt Service Requirements

The annual requirements to service all debts outstanding as of March 31, 2004 (excluding accumulated employee benefits), including both principal and interest, are as follows:

	2005	2006	2007	2008	2009	Total
Notes payable	\$ 10,673	\$ 10,674	\$ 10,674	\$ 10,673	\$ -	\$ 42,694

Interest

Total interest incurred by the City for the year was approximately \$3,100.

Note 5 – Long-Term Debt (Continued)

Component Unit

Long-term debt of the component unit is as follows:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Downtown Development Bonds	2	5.97%-7.00%	2011	<u>\$ 437,298</u>

The following is a summary of long-term debt transactions of the component unit for the year ended March 31, 2004:

	<u>General Long-Term Obligations</u>
Balance - April 1, 2003	\$ 489,059
Debt retired	<u>(51,761)</u>
Balance - March 31, 2004	<u>\$ 437,298</u>

The annual requirements to service component unit debts outstanding as of March 31, 2004, including both principal and interest, are as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 and After</u>	<u>Total</u>
Downtown Development Bonds	<u>\$ 101,406</u>	<u>\$ 86,930</u>	<u>\$ 89,918</u>	<u>\$ 87,818</u>	<u>\$ 85,718</u>	<u>\$ 75,674</u>	<u>\$ 527,464</u>

Total interest incurred for the component unit for the year was approximately \$26,000.

Note 6 – Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical, disability and life insurance benefits provided to employees. The City has purchased commercial insurance for employee life and disability, property and liability claims, and participates in the Michigan Municipal League risk pool for claims relating to employee health and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 7 – Contributed Capital

The following is an analysis of contributed capital for the year ended March 31, 2004:

	Water & Sewer Fund
Balance - April 1, 2003	\$ 720,384
Depreciation on assets contributed	<u>(32,812)</u>
Balance - March 31, 2004	<u>\$ 687,572</u>

Note 8 – Budget Information

The annual budget is prepared by the City Mayor and adopted by the City Commission; subsequent amendments are approved by the City Commission. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Note 8 – Budget Information (Continued)

The budget statement (combined statement of revenues, expenditures and changes in fund balances - budget and actual - general and special revenue fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of actual results of operations to the General Fund and other funds budgets as adopted by the City Commission is included in the additional information.

Significant expenditure budget overruns were as follows:

	Budget	Actual
General Fund:		
Legislative	\$ 48,750	\$ 61,280
Clerk	65,700	83,670
Police Department	220,670	274,964
Special Revenue Funds:		
Leonard Fund	-	228,288

The Leonard Fund, established during the current fiscal year, did not have a budget approved. The expense overrun was offset by unbudgeted revenue and transfers of \$515,770.

The General Fund has a deficit fund balance of approximately \$80,000 for the year ended March 31, 2004. The City is structuring a five-year plan to reduce this deficit by at least \$16,000 each year. This deficit reduction will be included in the City's budget as a line item, beginning in fiscal year 2005, until the deficit is depleted. Overall, the plan will seek to increase revenues and reduce costs while maintaining service levels.

Note 9 – Joint Ventures

The City, along with Coloma Charter Township, is a member of the Coloma Joint Fire Board. On dissolution of the Fire Board, the net assets will be shared on a prorata basis as follows: 40 percent to City of Coloma and 60 percent to Coloma Charter Township.

The Fire Board is governed by an administrative board of six members consisting of three members each from both the City of Coloma and Coloma Charter Township.

The City's share of fixed assets purchased and debt incurred for the Fire Board have been recorded in the General Fixed Asset and General Long-Term Debt Account Groups.

The City's remaining net investment is also reported in the General Fixed Asset Account Group. The City's equity interest in the Fire Board is \$5,529 at March 31, 2004. Complete financial statements for the Fire Board can be obtained from the Coloma Mayor's office.

The City is a participant with Coloma Charter Township in a joint venture to provide for the administration and operations of the cemetery. On dissolution of the Cemetery Board, the net assets will be shared on a prorata basis as follows: 40 percent to City of Coloma and 60 percent to Coloma Charter Township.

The Cemetery Board is governed by an administrative board of five members consisting of two members from the City of Coloma and three from Coloma Charter Township.

The City's share of fixed assets purchased and debt incurred for the Cemetery Board have been recorded in the General Fixed Asset and General Long-Term Debt Account Groups.

The City's remaining net investment is also reported in the General Fixed Asset Account Group. The City's equity interest in the Cemetery Board is \$15,848 at March 31, 2004. Complete financial statements for the Cemetery Board can be obtained from the Coloma Treasurer's office.

Note 10 – Construction Code Fees

The City oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall - April 1, 2003	\$ (15,539)
Building permit revenue	23,481
Related expenditures:	
Direct costs	<u>(19,473)</u>
Accumulated shortfall - March 31, 2004	<u>\$ (11,531)</u>

Note 11 – Upcoming Reporting Change

For the year beginning April 1, 2004, the City will adopt GASB Statement Number 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Enterprise funds will no longer report capital contributions as a direct increase to equity. Information is not available to present pro-forma data that would show the effect of this change.

Additional Information



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To Members of the City Council
City of Coloma, Michigan

We have audited the general purpose financial statements of the City of Coloma, Michigan for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Coloma, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

May 10, 2004



A worldwide association of independent accounting firms

City of Coloma, Michigan

General Fund Schedule of Revenue – Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Property taxes	\$ 390,000	\$ 425,761	\$ 35,761	\$ 422,542
Licenses and permits	7,000	26,926	19,926	6,227
State sources	235,000	197,699	(37,301)	212,771
Fines and forfeitures	5,000	3,701	(1,299)	5,550
Interest and rent	87,000	78,596	(8,404)	93,219
Donations from private sources	-	-	-	442,354
Other revenue	45,000	16,025	(28,975)	105,151
Total revenue	\$ 769,000	\$ 748,708	\$ (20,292)	\$ 1,287,814

City of Coloma, Michigan

General Fund Schedule of Expenditures – Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
General Government				
Legislative	\$ 48,750	\$ 61,280	\$ (12,530)	\$ 49,442
Elections	3,435	2,468	967	4,951
Assessor	11,000	13,076	(2,076)	9,437
Clerk	65,700	83,670	(17,970)	70,409
Treasurer	11,100	13,732	(2,632)	15,019
Board of review	1,100	676	424	604
Buildings and grounds	21,500	15,981	5,519	21,941
Total general government	162,585	190,883	(28,298)	171,803
Public Safety				
Police Department	220,670	274,964	(54,294)	265,869
Fire Department	35,000	34,669	331	86,997
Ambulance	7,500	6,875	625	7,500
Inspections	11,950	19,473	(7,523)	10,852
Total public safety	275,120	335,981	(60,861)	371,218
Public Works				
Department of Public Works	367,650	207,082	160,568	255,580
Recreation And Culture				
Parks	10,470	10,019	451	11,501
Public relations	10,722	10,722	-	15,047
Library	600	452	148	789
Total recreation and culture	21,792	21,193	599	27,337
Other				
Cemetery	57,000	51,239	5,761	51,118
Total expenditures	<u>\$ 884,147</u>	<u>\$ 806,378</u>	<u>\$ 77,769</u>	<u>\$ 877,056</u>

City of Coloma, Michigan

Special Revenue Funds Combining Balance Sheet March 31, 2004

	March 31				
	Major Streets	Local Streets	Leonard Fund	2004	2003
Assets					
Cash	\$ 27,601	\$ 31,736	\$ 245,443	\$ 304,780	\$ 30,821
Due from other funds	40,508	-	-	40,508	34,652
Advances to other funds	-	-	42,039	42,039	-
Total assets	<u>\$ 68,109</u>	<u>\$ 31,736</u>	<u>\$287,482</u>	<u>\$387,327</u>	<u>\$ 65,473</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,002
Accrued expenses and other liabilities	106	159	-	265	266
Due to other funds	33,050	4,747	-	37,797	37,797
Total liabilities	33,156	4,906	-	38,062	39,065
Fund Balance					
Reserved for long-term receivable	-	-	42,039	42,039	-
Designated for projects funded by private contribution	-	-	245,443	245,443	-
Unreserved and undesignated	34,953	26,830	-	61,783	26,408
Total fund equity	<u>34,953</u>	<u>26,830</u>	<u>287,482</u>	<u>349,265</u>	<u>26,408</u>
Total liabilities and fund balances	<u>\$ 68,109</u>	<u>\$ 31,736</u>	<u>\$287,482</u>	<u>\$387,327</u>	<u>\$ 65,473</u>

City of Coloma, Michigan

Special Revenue Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balances

	Year Ended March 31				
	Major Streets	Local Streets	Leonard Fund	2004	2003
Revenue					
State sources	\$ 90,185	\$ 31,918	\$ -	\$ 122,103	\$ 116,544
Interest income	-	-	1,485	1,485	-
Donations from private sources	-	-	65,867	65,867	-
Other revenue	<u>2,107</u>	<u>-</u>	<u>-</u>	<u>2,107</u>	<u>-</u>
Total revenue	92,292	31,918	67,352	191,562	116,544
Expenditures					
Parks expenditures	-	-	-	-	-
Library expenditures	-	-	75,000	75,000	-
Other expenditures	-	-	153,288	153,288	-
Cemetery	-	-	-	-	-
Highways and streets	<u>61,713</u>	<u>27,122</u>	<u>-</u>	<u>88,835</u>	<u>151,197</u>
Total expenditures	61,713	27,122	228,288	317,123	151,197
Excess (Deficiency) of Revenue Over Expenditures	30,579	4,796	(160,936)	(125,561)	(34,653)
Other Financing Sources					
Operating transfers in	<u>-</u>	<u>-</u>	<u>448,418</u>	<u>448,418</u>	<u>40,000</u>
Excess of Revenue and Other Financing Sources Over Expenditures	30,579	4,796	287,482	322,857	5,347
Fund Balances - Beginning of year	<u>4,374</u>	<u>22,034</u>	<u>-</u>	<u>26,408</u>	<u>21,061</u>
Fund Balances - End of year	<u>\$ 34,953</u>	<u>\$ 26,830</u>	<u>\$ 287,482</u>	<u>\$ 349,265</u>	<u>\$ 26,408</u>

City of Coloma, Michigan

Major Street Fund Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenue				
State sources	\$ 90,000	\$ 90,185	\$ 185	\$ 86,112
Other revenue	-	2,107	2,107	-
Total revenue	90,000	92,292	2,292	86,112
Expenditures				
Street construction	-	6,046	(6,046)	61,869
Routine maintenance	19,600	20,658	(1,058)	20,186
Sweeping	11,260	6,047	5,213	11,100
Trees and shrubs	13,180	9,233	3,947	10,728
Ditches and drains	2,340	1,934	406	2,656
Traffic services	8,525	8,001	524	5,916
Winter maintenance	9,825	9,794	31	11,813
Total expenditures	64,730	61,713	3,017	124,268
Excess (Deficiency) of Revenue Over Expenditures	25,270	30,579	5,309	(38,156)
Other Financing Sources				
Operating transfers in	-	-	-	40,000
Excess (Deficiency) of Revenue Other Financing Sources Over Expenditures	25,270	30,579	5,309	1,844
Fund Balance - Beginning of year	4,374	4,374	-	2,530
Fund Balance - End of year	\$ 29,644	\$ 34,953	\$ 5,309	\$ 4,374

City of Coloma, Michigan

Local Street Fund Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenue				
State sources	\$ 31,000	\$ 31,918	\$ 918	\$ 30,432
Expenditures				
Street construction	5,000	1,296	3,704	2,059
Routine maintenance	7,225	5,353	1,872	6,982
Sweeping	1,640	387	1,253	1,669
Trees and shrubs	10,470	7,818	2,652	10,158
Ditches and drains	1,335	1,280	55	1,184
Traffic services	950	1,702	(752)	577
Winter maintenance	4,090	9,286	(5,196)	4,300
Total expenditures	30,710	27,122	3,588	26,929
Excess of Revenue Over Expenditures	290	4,796	4,506	3,503
Fund Balance - Beginning of year	22,034	22,034	-	18,531
Fund Balance - End of year	\$ 22,324	\$ 26,830	\$ 4,506	\$ 22,034

City of Coloma, Michigan

Leonard Fund Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenue				
Interest income	\$ -	\$ 1,485	\$ 1,485	\$ -
Donations from private sources	-	65,867	65,867	-
Total revenue	-	67,352	67,352	-
Expenditures				
Library expenditures	-	75,000	(75,000)	-
Other expenditures	-	153,288	(153,288)	-
Total expenditures	-	228,288	(228,288)	-
Excess (Deficiency) of Revenue Over Expenditures	-	(160,936)	(160,936)	-
Other Financing Sources				
Operating transfers in	-	448,418	448,418	-
Excess (Deficiency) of Revenue Other Financing Sources Over Expenditures	-	287,482	287,482	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	\$ -	\$ 287,482	\$ 287,482	\$ -

City of Coloma, Michigan

General Long-Term Debt Account Group Statement of General Long-Term Debt March 31, 2004

	<u>2004</u>	<u>2003</u>
Assets		
Amount to be provided for retirement of debt	\$ 38,390	\$ 49,600
Amount to be provided for compensated absences	<u>39,452</u>	<u>69,940</u>
Total Assets	<u>\$ 77,842</u>	<u>\$ 119,540</u>
Liabilities		
Notes payable	\$ 38,390	\$ 49,600
Compensated absences	<u>39,452</u>	<u>69,940</u>
Total Liabilities	<u>\$ 77,842</u>	<u>\$ 119,540</u>

City of Coloma, Michigan

General Long-Term Debt Account Group Schedule of Indebtedness March 31, 2004

Installment Purchase Contract - Fire Rescue Vehicle

Lease Dated April 16, 2002 in the

Amount of \$ 47,000

Less

Amounts due and paid in current year 8,610

Balance Outstanding - March 31, 2004 \$ 38,390

Contract payable as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 1,685	\$ 8,988	\$ 10,673
2006	1,291	9,383	10,674
2007	879	9,795	10,674
2008	<u>449</u>	<u>10,224</u>	<u>10,673</u>
	<u>\$ 4,304</u>	<u>\$ 38,390</u>	<u>\$ 42,694</u>

Interest on the above loan is payable annually on April 16th at 4.39% per annum.

City of Coloma, Michigan

Component Unit Downtown Development Authority Balance Sheet March 31, 2004

	Governmental			
	Fund Type	Account Groups		March 31
	General Fund	General Fixed Assets	General Long-Term Debt	2004
Assets				
Cash	\$ 389,639	\$ -	\$ -	\$ 389,639
Special assessment receivable	15,492	-	-	15,492
Due from primary government	41,288	-	-	41,288
Capital assets	-	52,916	-	52,916
Amount to be provided for retirement of general long-term debt	-	-	437,298	437,298
Total assets	\$ 446,419	\$ 52,916	\$ 437,298	\$ 936,633
Liabilities and Fund Equity				
Liabilities				
Deferred revenue	\$ 15,492	\$ -	\$ -	\$ 15,492
Due to other governmental units	163,931	-	-	163,931
Long-term debt	-	-	437,298	437,298
Total liabilities	179,423	-	437,298	616,721
Fund Equity				
Investment in general fixed assets	-	52,916	-	52,916
Fund balance	266,996	-	-	266,996
Total fund equity	266,996	52,916	-	319,912
Total liabilities and fund equity	\$ 446,419	\$ 52,916	\$ 437,298	\$ 936,633

City of Coloma, Michigan

Component Unit Downtown Development Authority Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)
Revenue			
Taxes	\$ -	\$ 180,630	\$ 180,630
Special Assessment	-	3,495	3,495
Total revenue	-	184,125	184,125
Expenditures			
Public works	-	20,115	(20,115)
Debt service	92,160	77,885	14,275
Total expenditures	92,160	98,000	(5,840)
Excess of Revenue Over Expenditures	(92,160)	86,125	178,285
Fund Balance - Beginning of year	180,871	180,871	-
Fund Balance - End of year	<u>\$ 88,711</u>	<u>\$ 266,996</u>	<u>\$ 178,285</u>

City of Coloma, Michigan

Downtown Development Authority Schedule of Indebtedness March 31, 2004

Bond Payable Dated June 1, 1994 in The Amount of \$ 500,000

Less

Amounts paid in prior years 235,941

Amounts due and paid in current year 26,761

Balance Outstanding - March 31, 2004 **\$ 237,298**

Balance payable as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 16,356	\$ 47,362	\$ 63,718
2006	10,477	40,516	50,993
2007	7,999	42,994	50,993
2008	5,380	45,613	50,993
2009	2,578	48,415	50,993
2010	<u>126</u>	<u>12,398</u>	<u>12,524</u>
	<u><u>\$ 42,916</u></u>	<u><u>\$ 237,298</u></u>	<u><u>\$ 280,214</u></u>

Interest on the above bonds is payable quarterly on January 1st, April 1st, July 1st and October 1st at 5.97 percent per annum.

City of Coloma, Michigan

Downtown Development Authority Schedule of Indebtedness March 31, 2004

Bond Payable Dated June 1, 1995 in The Amount of \$ 400,000

Less

Amounts paid in prior years 175,000

Amounts due and paid in current year 25,000

Balance Outstanding - March 31, 2004 **\$ 200,000**

Balance payable as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 12,688	\$ 25,000	\$ 37,688
2006	10,937	25,000	35,937
2007	8,925	30,000	38,925
2008	6,825	30,000	36,825
2009	4,725	30,000	34,725
2010	2,625	30,000	32,625
2011	<u>525</u>	<u>30,000</u>	<u>30,525</u>
	<u>\$ 47,250</u>	<u>\$ 200,000</u>	<u>\$ 247,250</u>

Interest on the above bonds is payable quarterly on March 1st, June 1st, September 1st and December 1st at 7.00 percent per annum.